

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2117-01
Bill No.: HCR 25
Subject: Bonds—General Obligation & Revenue; Entertainment, Sports, & Amusement;
General Assembly
Type: Updated
Date: April 4, 2001
Updated to reflect additional information received.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
General Revenue	(\$2,942,328)	(\$2,944,710)	(\$2,945,034)
Total Estimated Net Effect on <u>All</u> State Funds	(\$2,942,328)	(\$2,944,710)	(\$2,945,034)

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
None	\$0	\$0	\$0
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
Local Government	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 3 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials with the **Office of Administration (OA)** assume the proposal will authorize the issuance of \$35 million in revenue bonds. Fiscal impact has been based on the assumptions that the full amount would be issued immediately, that the bonds would be repaid with level debt service over 20 years, and that the bonds would pay a 7% rate of interest. Using these assumptions, OA estimates annual debt service at \$3,304,000.

Oversight notes that a 7% rate of interest is likely higher than the current market would require. #Oversight estimates that bonds of this maturity would currently require a yield of approximately 5.50%; at this rate, level debt service would approximate \$2,930,000 annually. **The required yield could vary depending on the actual market conditions at the time of issuance.**

Officials with **OA** place one-time costs per issue at approximately \$150,000, plus personal services of existing staff. Officials estimate personal service costs at \$37,673 in FY 2002.

Oversight assumes that the one-time personal service costs would be performed by existing staff, with no increased costs to OA for these services.

OA officials also indicate the proposal will require .25 Executive Assistant to initiate general revenue transfers to the appropriate debt service funds, reconcile all paying agent transactions for principal and interest, and monitor all fees due the paying agent. Total costs for this position including salary, fringe benefits, and equipment & expense would be \$10,328 in FY 2002; \$12,710 in FY 2003; and \$13,034 in FY 2004. Paying agent fees are expected to approximate \$2,000 annually.

Officials with the **Office of the State Treasurer**, the **Office of the Secretary of State**, the **Missouri Health & Educational Facilities Authority**, and the **University of Missouri** assume the proposal will have no fiscal impact on their organizations.

<u>FISCAL IMPACT - State Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
GENERAL REVENUE			
<u>Costs—OA</u>			
#Debt Service	(\$2,930,000)	(\$2,930,000)	(\$2,930,000)
Paying Agent Fees	(\$2,000)	(\$2,000)	(\$2,000)
Personal Service (0.25 FTE)	(\$6,965)	(\$8,567)	(\$8,781)
Fringe Benefits	(\$2,321)	(\$2,855)	(\$2,927)
Expense & Equipment	(\$1,042)	(\$1,288)	(\$1,326)
ESTIMATED NET EFFECT TO			
GENERAL REVENUE	<u>(\$2,942,328)</u>	<u>(\$2,944,710)</u>	<u>(\$2,945,034)</u>

FISCAL IMPACT - Local Government

FY 2002
(10 Mo.)

FY 2003

FY 2004

\$0

\$0

\$0

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

DESCRIPTION

This resolution authorizes the issuance of revenue bonds by the Office of Administration for the partial funding of construction of a sports arena for the University of Missouri–Columbia. The bonds are to be secured by a pledge of future appropriations. The state's share of the cost is limited to \$35 million, with the bonds payable over a term not to exceed 20 years. The total estimated project cost is \$75 million, with the balance paid through contributions and other funds to be provided by the University.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of Administration
Division of Accounting
Office of the State Treasurer
Office of the Secretary of State
Missouri Health & Education Facilities Authority
University of Missouri



Jeanne Jarrett, CPA
Director

April 4, 2001